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SENATE BILL 504 By
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HOUSE BILL 868
By Kisber

AN ACT to amend Tennessee Code Annotated, Section 6-56-110;
Section 8-5-110; Section 9-4-103; Section 9-4-107;
Section 9-4-703, and Title 9, Chapter 4, Parts 5 - 6,
relative to public funds.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF TENNESSEE:

SECTION 1. Tennessee Code Annotated, Section 6-56-110, is amended by deleting the word and figure "part 5" and by substituting instead the words and figures "parts 1 and 4, or as provided in the collateral pool created under title 9, chapter 4, part 5".

SECTION 2. Tennessee Code Annotated, Section 8-5-110, is amended by deleting the words and punctuation "collateral, securities, bonds and other valuable papers" and by substituting instead the words "negotiable instruments".

SECTION 3. Tennessee Code Annotated, Section 9-4-103(10)(C), is amended by inserting immediately before the semicolon (";") at the end thereof the words and figures "or to secure funds covered by the collateral pool created under title 9, chapter 4, part 5".

SECTION 4. Tennessee Code Annotated, Section 9-4-508, is amended by adding the following new subdivision at the end thereof:

(8) The board may purchase insurance from insurers licensed to do business in this state for the purpose of providing coverage against loss caused by the default or insolvency of qualified public depositories. Any loss may be satisfied from said

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insurance prior to the assessment against qualified public depositories as provided in § 9-4-512(3).

SECTION 5. Tennessee Code Annotated, Section 9-4-518, is amended by deleting subsection (b) in its entirety and by redesignating the existing subsections accordingly; and by further amending the current subsection (c) by deleting the words “reports required in subsections (a) and (b)” and by substituting instead the words “report required in subsection (a)”.

SECTION 6. Tennessee Code Annotated, Section 9-4-519(a), is amended by adding the word “and” at the end of subdivision (1), by deleting the punctuation and word “; and” at the end of subdivision (2) and by substituting instead a period “.”, and by deleting subdivision (3) in its entirety.

SECTION 7. Tennessee Code Annotated, Section 9-4-508, is amended by adding the following new subdivision (4) and by redesignating the existing subdivisions accordingly:

(4) The board may establish a process by which to determine, to the greatest extent practicable, that a qualified public depository is securing all its public deposits through the collateral pool.

SECTION 8. Tennessee Code Annotated, Section 9-4-521(a), is amended by deleting from the second sentence thereof the word and figure “eleven (11)” and by substituting instead the word and figure “twelve (12)”; by deleting subdivision (5) in its entirety and by substituting instead the following:

(5) Two (2) members must be county trustees; and

SECTION 9. Tennessee Code Annotated, Section 9-4-521(b), is amended by deleting the last sentence thereof in its entirety and by substituting instead the following:

The members referred to in subdivision (a)(5) shall be appointed from a list of five (5) nominees submitted by the Tennessee County Officials Association. The nominees selected by the league and the associations shall have at least two (2) years experience in the field of finance.

SECTION 10. Tennessee Code Annotated, Section 9-4-521(c), is amended by deleting it in its entirety and by substituting instead the following:

(c) The task force shall elect, from among the six (6) members referred to in subdivisions (a)(3) - (5), one (1) representative to serve as a member of the collateral pool board.

SECTION 11. Tennessee Code Annotated, Section 9-4-521(d), is amended by adding the following at the end thereof:

The state treasurer and the comptroller of the treasury may designate members of their respective staffs to attend meetings of the task force and to exercise their right to vote in their absence.

SECTION 12. Tennessee Code Annotated, Section 9-4-703, is amended by deleting the words and figures "Tennessee advisory commission on intergovernmental relations created by title 4, chapter 10" and by substituting instead the words and figures "state funding board created by § 9-9-101".

SECTION 13. Tennessee Code Annotated, Title 9, Chapter 4, Part 6, is amended by adding the following new section:

9-4-6____. Intermediate-term investment fund.

(a) The state funding board shall determine whether a need exists for a longer-term investment fund for funds in the custody of the state treasurer. Upon determining that such a need exists, the state funding board may, by resolution duly adopted, create an intermediate-term investment fund as an additional investment vehicle for money in the custody of any department or agency of the state which is required by court order, contract, state or federal law or federal regulation to receive interest on invested funds. The funding board shall establish the terms of participation in the fund, and shall set the minimum and maximum amounts which may be invested in the fund by each participant.

The investment fund shall be administered by the state treasurer within the guidelines established by the funding board.

(b) The portfolio of the intermediate-term investment fund shall contain only those investment instruments set forth in § 9-4-602.

(c) Any department or agency of the state which is required by court order, contract, state or federal law or federal regulation to receive interest on invested funds may apply with the state treasurer to participate in the fund. Upon approval of any such application and upon investment of cash in the fund, the respective department or agency shall be deemed a participant in the fund. The general fund of the state may also participate in the fund. A participant may invest its cash for any length of time in the fund; provided that the funding board may establish restrictions for withdrawal and/or penalties for early withdrawal.

(d) All securities purchased shall belong jointly to the participants in the fund and the participants will share capital gains, income, and losses pro rata.

(e) The state treasurer shall keep a separate account, designated by name and number of each participant. Individual transactions and totals of all investments belonging to each participant shall be recorded in the accounts.

(f) The state treasurer shall report monthly to every participant having a beneficial interest in the intermediate-term investment fund. The report shall show the changes in investments made during the preceding month.

(g) The state treasurer shall establish a revolving account, under the treasurer's custody, to defray administrative costs of the investment fund. The state treasurer shall deduct from each participant's pro rata earnings through the fund a reasonable charge for administering the fund, which shall be deposited and expended through the revolving account.

SECTION 14. If any provision of this act or the application thereof to any person or circumstance is held invalid, such invalidity shall not affect other provisions or applications of the act which can be given effect without the invalid provision or application, and to that end the provisions of this act are declared to be severable.

SECTION 15. This act shall take effect upon becoming a law, the public welfare requiring it.

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